Lowell

FVI #7

Results of the latest wave of the Financial Vulnerability Index up until 2023 Q4

March 2024

Embargoed until: 09:00 11th March 2024

Lowell

Opinium

What people think, feel and do

The Financial Vulnerability Index is an innovative tool to measure and track financial resilience, nationally and locally, across the UK. Created by Lowell and Urban, and provided by Opinium, the index brings together publicly available measures and Lowell's proprietary data to give a clear picture of financial vulnerability in the UK.

By using this tool, policymakers, local authorities, and other stakeholders can gain valuable insight into the financial health of their constituents and better target resources to improve financial resilience. Users can see Financial Vulnerability Index scores and their components for each quarter since 2017 for any nation, region, or parliamentary constituency.

Contents

The latest FVI Scores

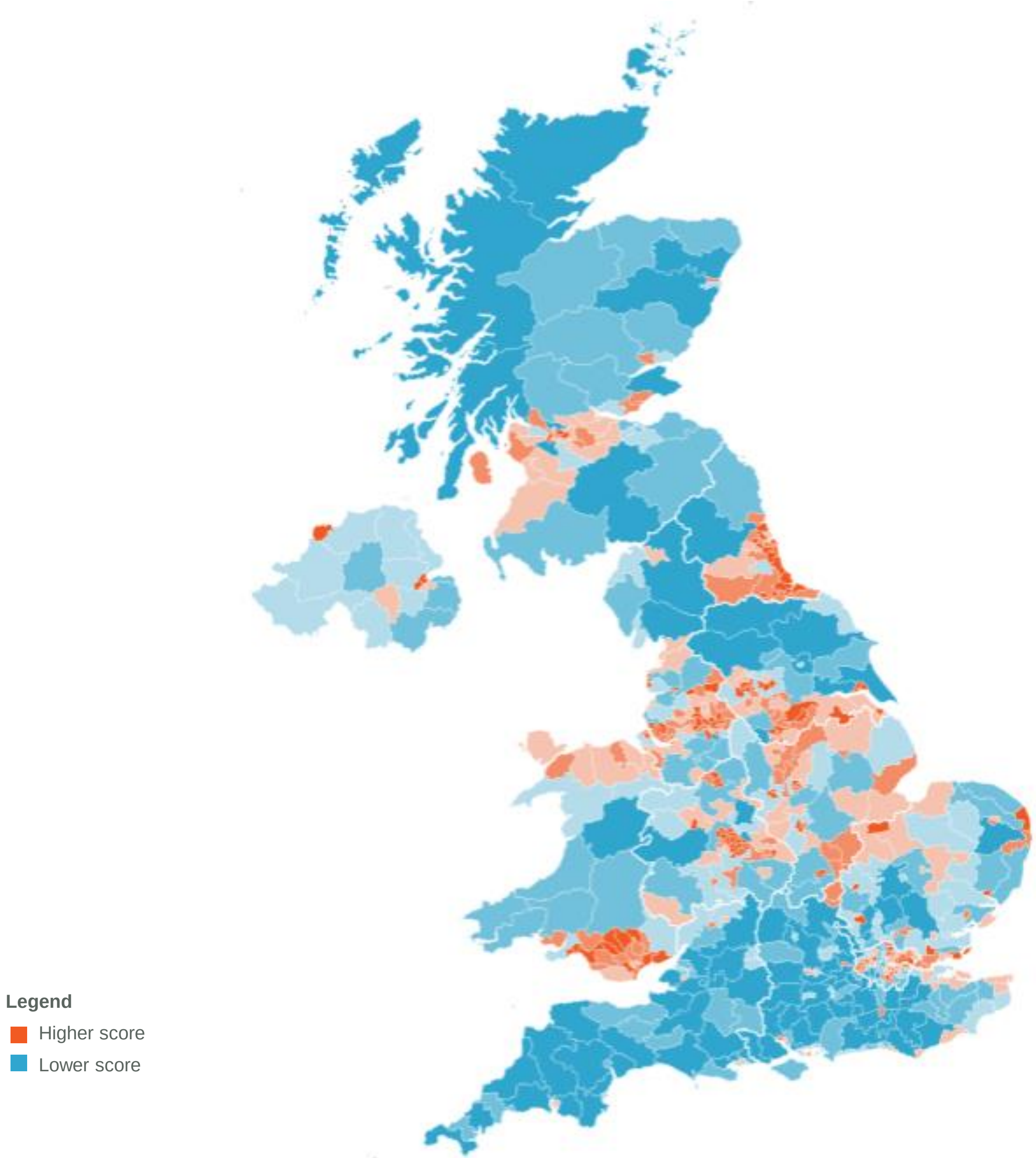
The results of the Financial Vulnerability Index up until 2023 Q4

FVI 2023 Q4
Headline FVI score

44.2

up 0.7 pts from
43.5 in **2023** Q2

up 0.5 pts from
43.7 in **2020** Q1



Financial vulnerability has remained higher than before the pandemic as a cost-of-living crisis continues

FVI 2023 Q4

Headline FVI score

44.2

up 0.7 pts from 43.5 in **2023** Q2

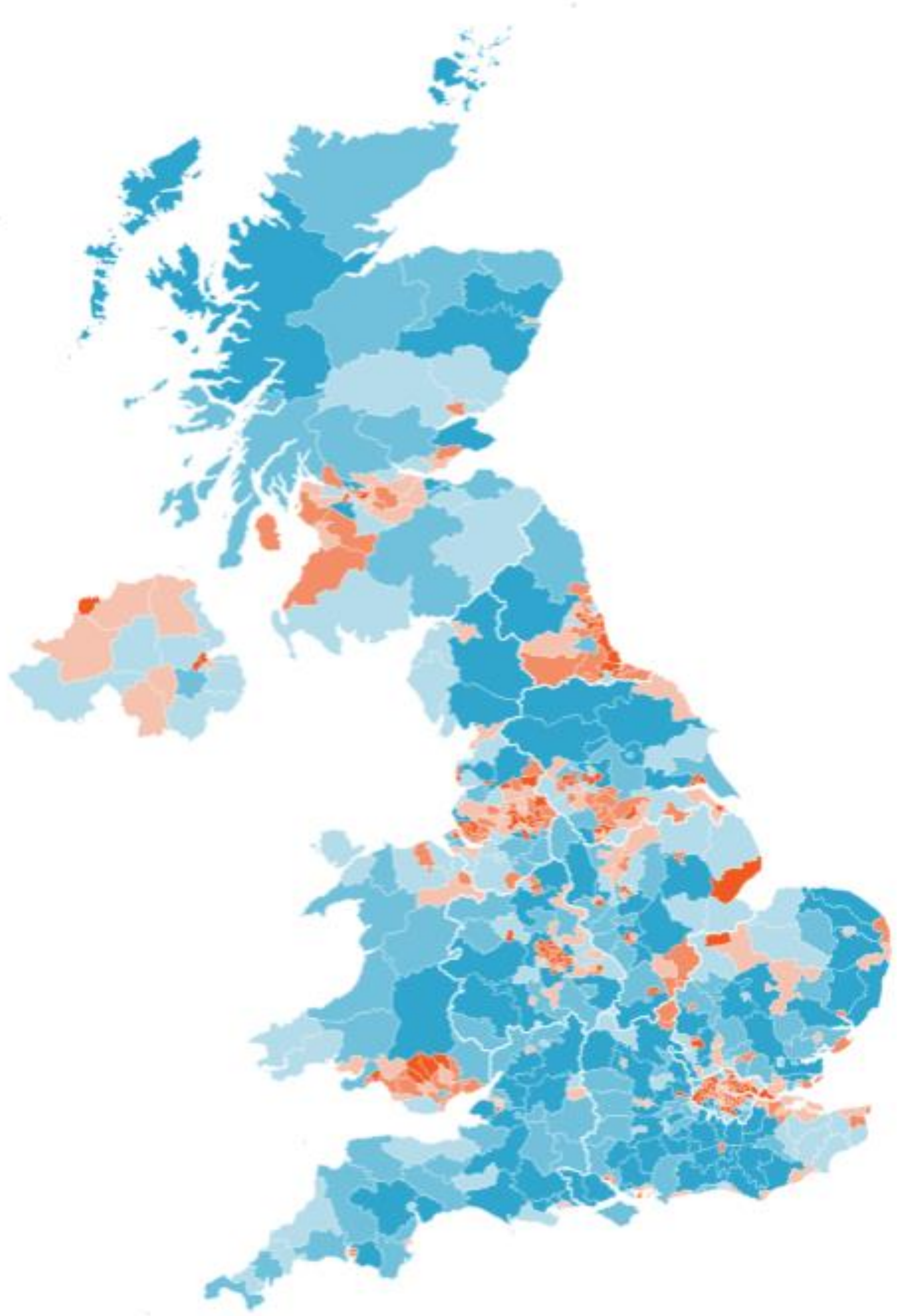
up 0.5 pts from 43.7 in **2020** Q1

Data shows the overall Financial Vulnerability Score (FVI) for the UK. Data is given for all points between 2017 Q2 and 2023 Q4.

FVI 2023 Q4

Share of UK adults in default

15.2%



Legend

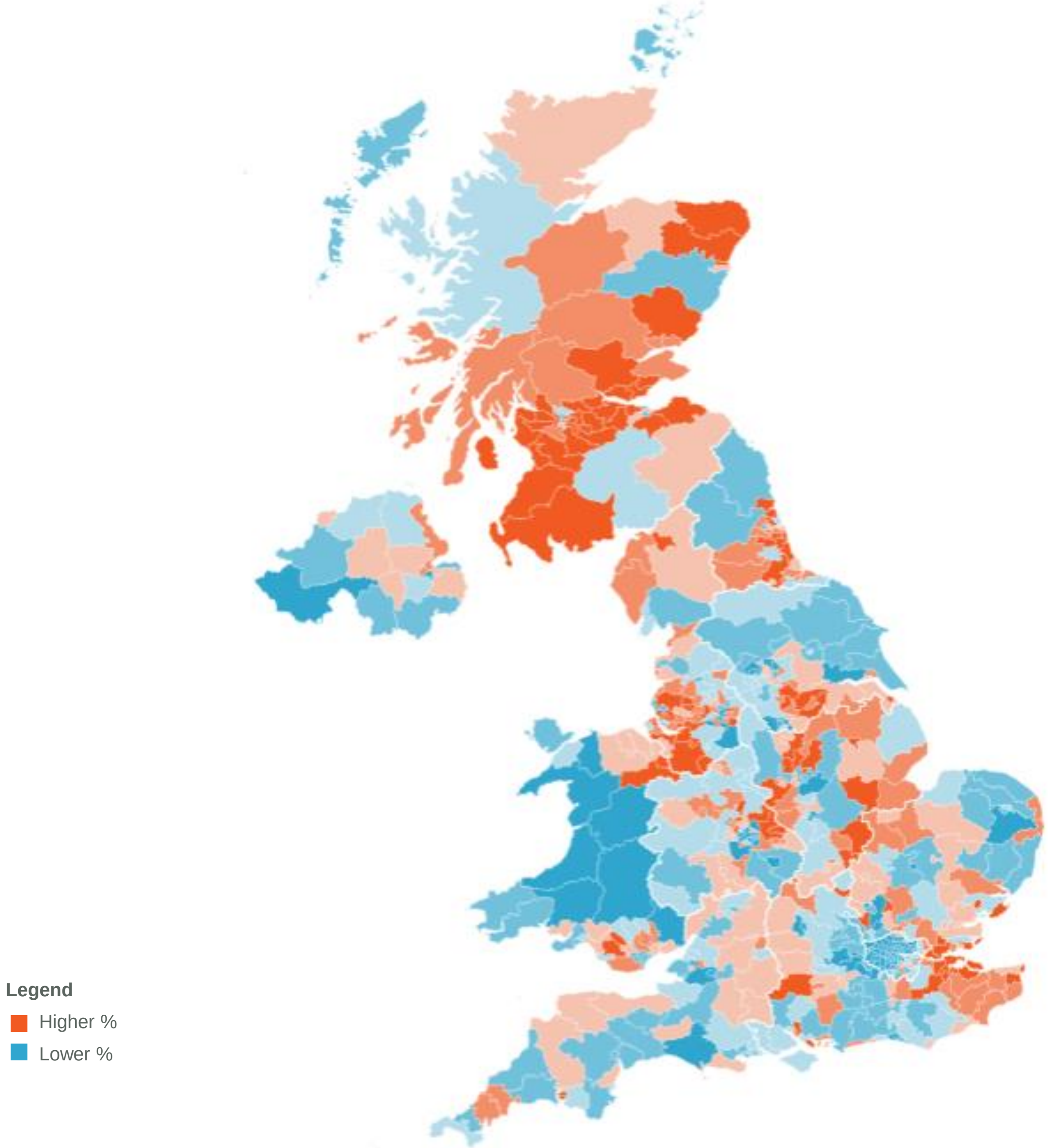
- Higher %
- Lower %

FVI 2023 Q4
Average credit usage

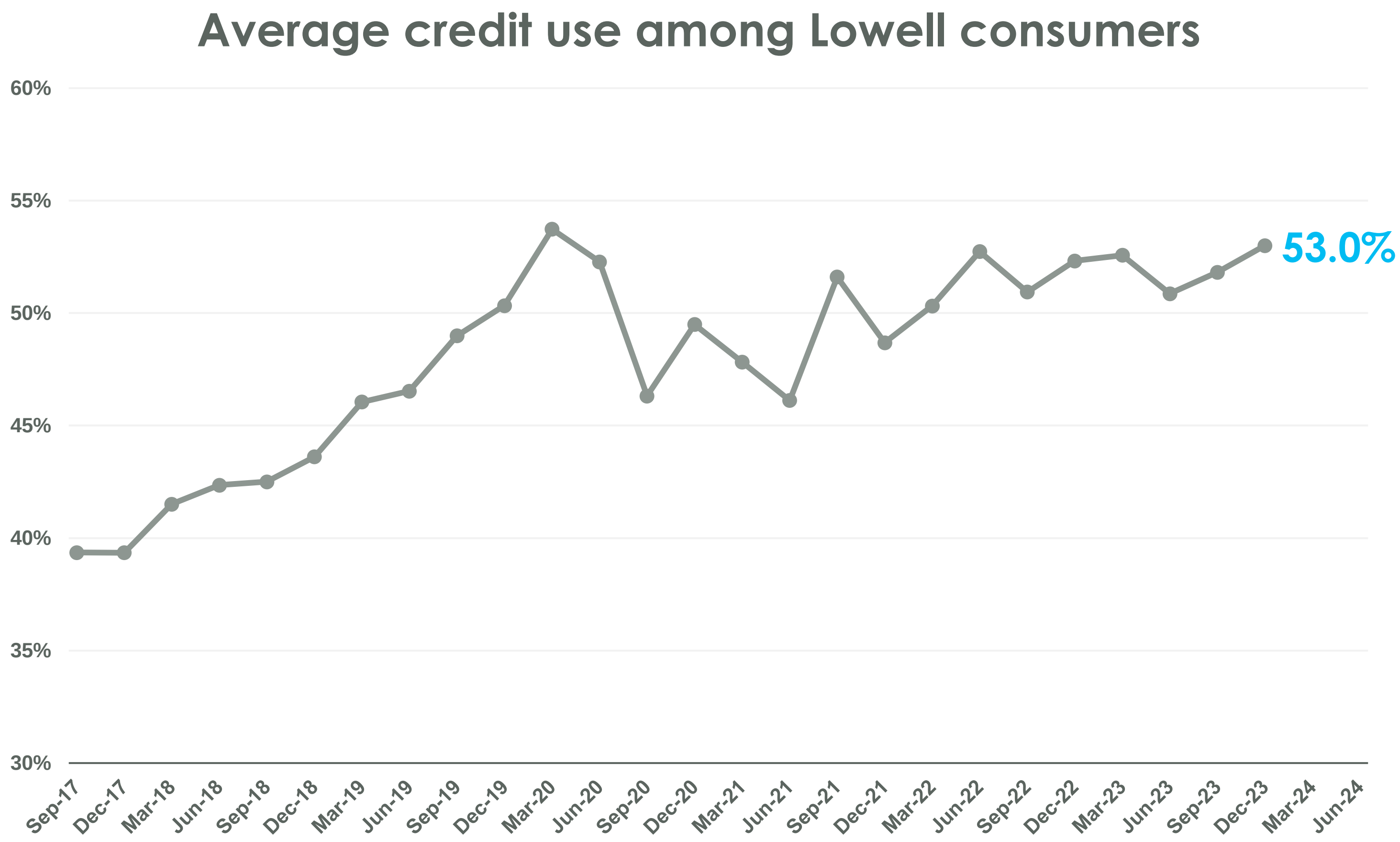
53.0%

up 2.8 ppts from
50.2% in **2023** Q2

down 0.7 ppts from
53.7% in **2020** Q1



Credit use is now at 53.0%, its highest point since the beginning of the Covid pandemic



FVI 2023 Q4
Average credit usage

53.0%

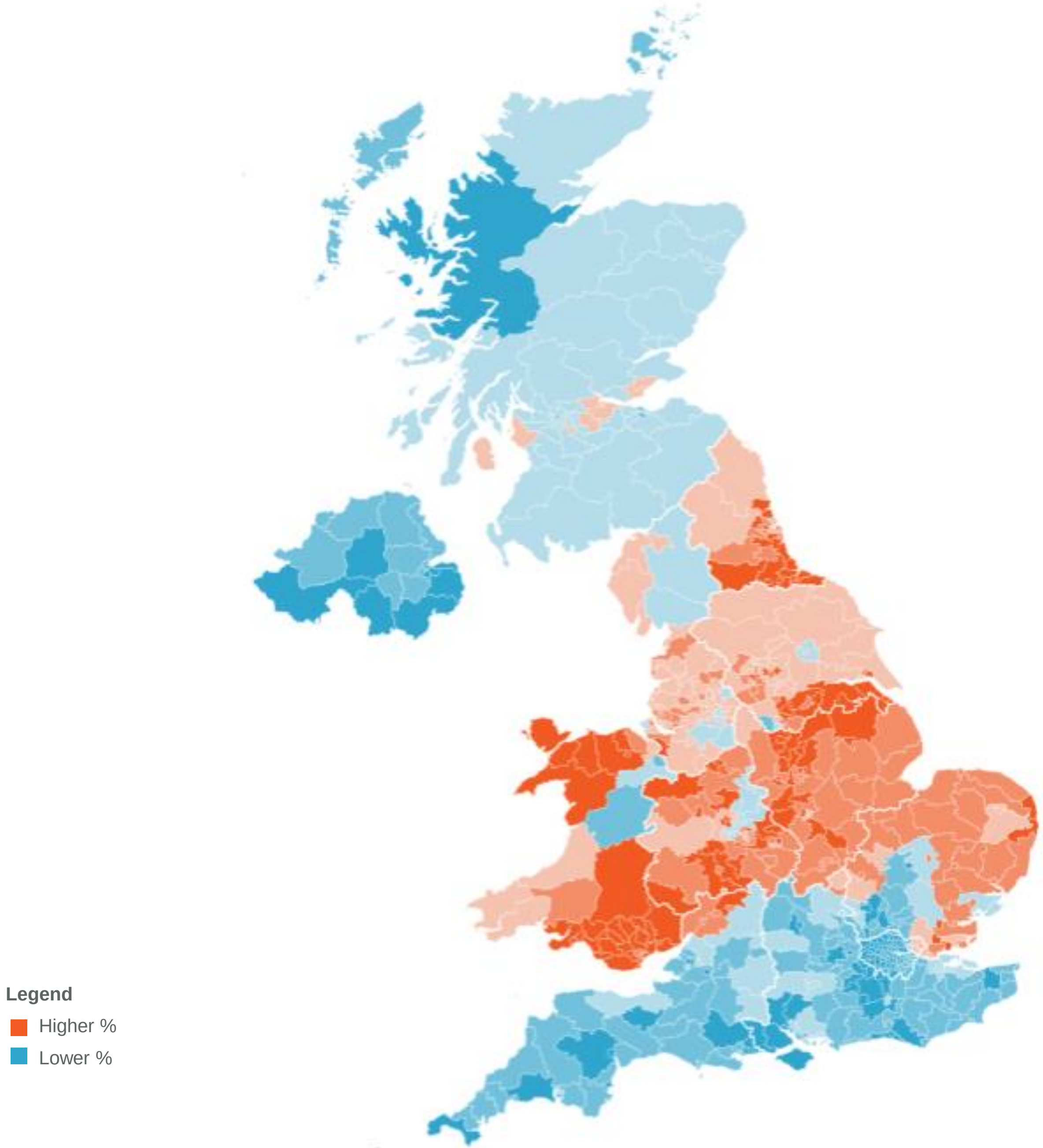
up 2.8 ppts from 50.2% in **2023** Q2

down 0.7 ppts from 53.7% in **2020** Q1

Data shows the overall Financial Vulnerability Score (FVI) for the UK. Data is given for all points between 2017 Q2 and 2023 Q4.

FVI 2023 Q4
Lowell customers in arrears

16.9%

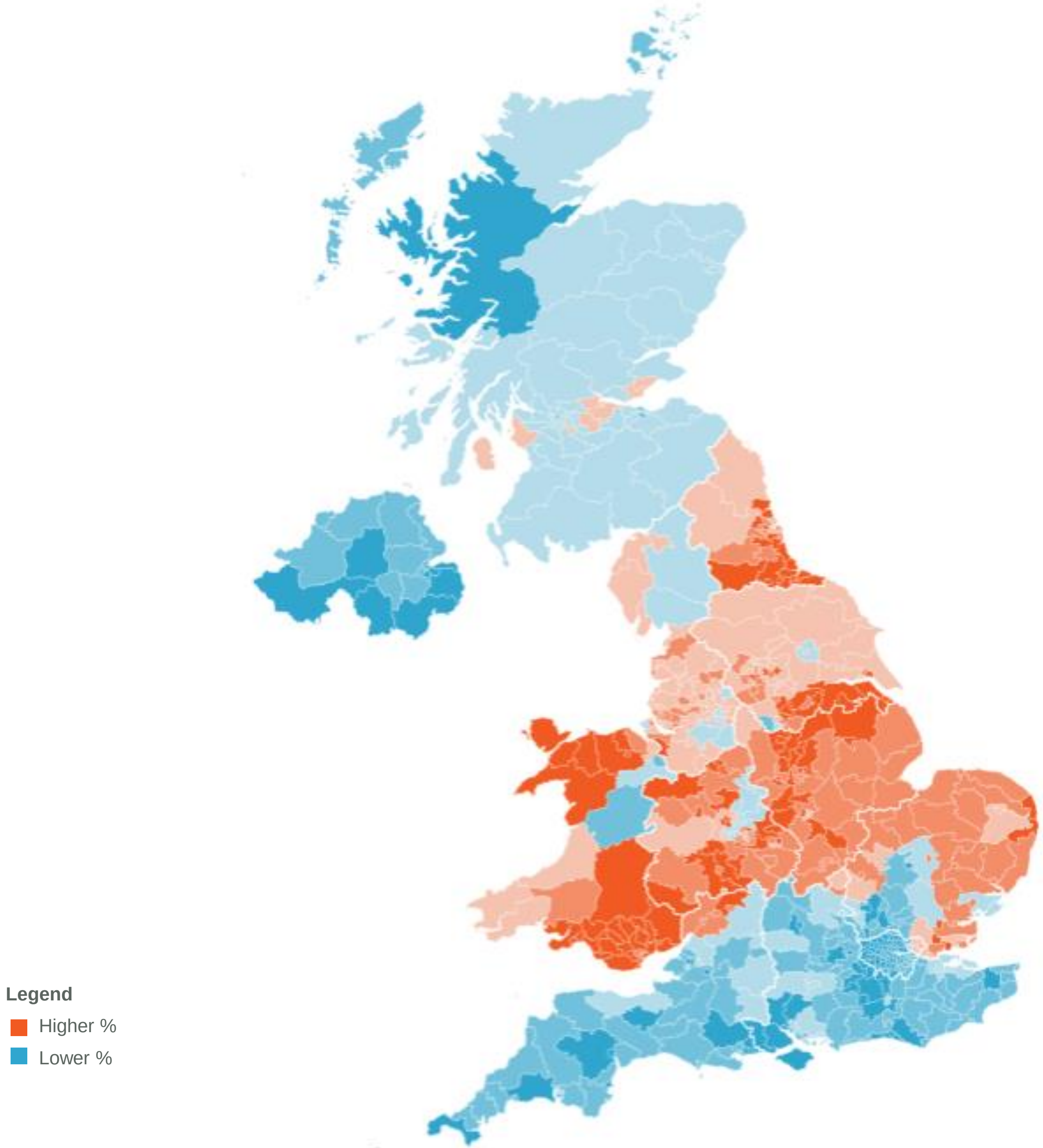


FVI 2023 Q4
Claiming social benefits

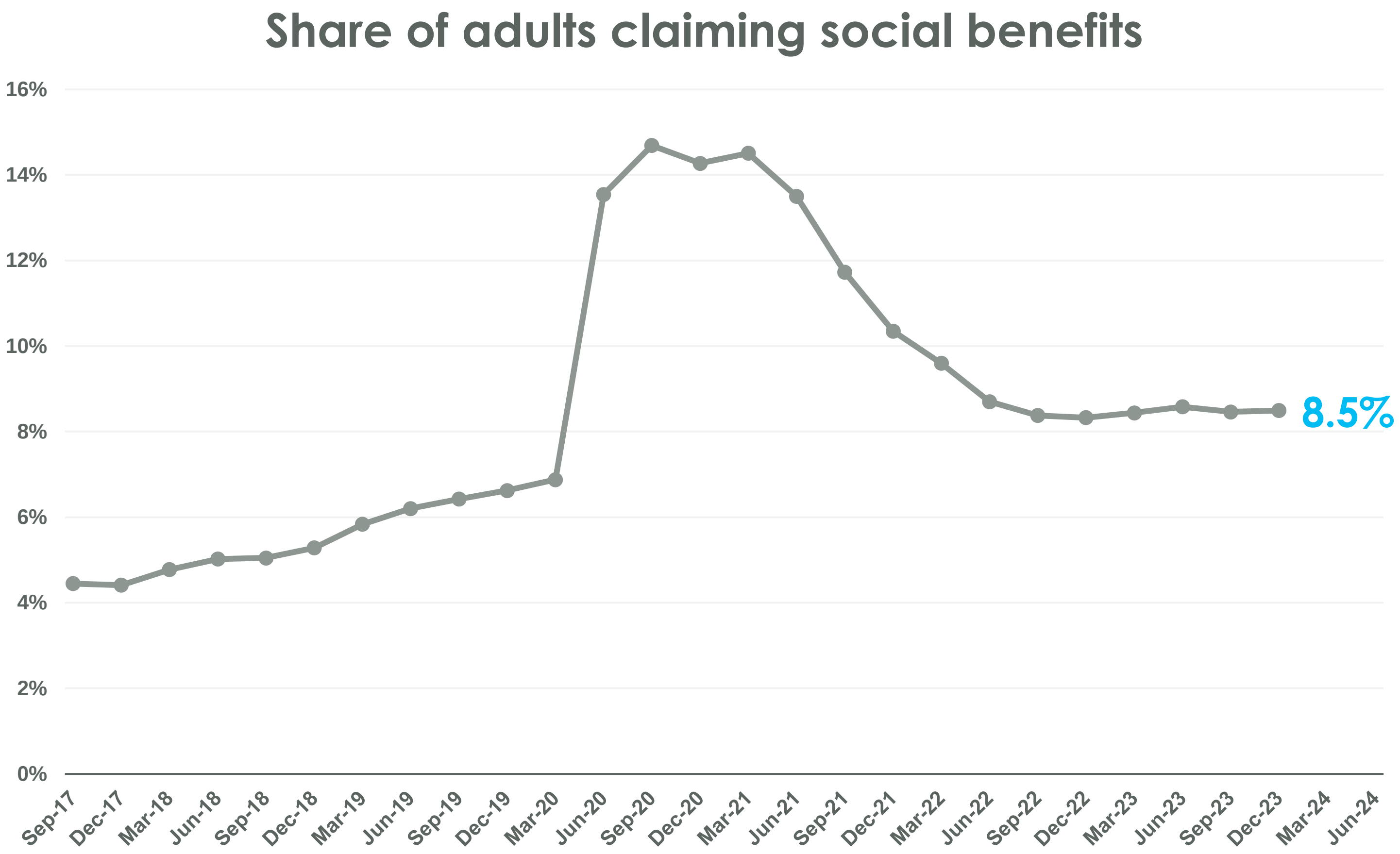
8.5%

down 0.1 ppts from
8.6% in **2023** Q2

up 1.7 ppts from
6.8% in **2020** Q1



The number of benefits claimants remains stable on 8.5%, although higher than before the pandemic



FVI 2023 Q4
Claiming social benefits

8.5%

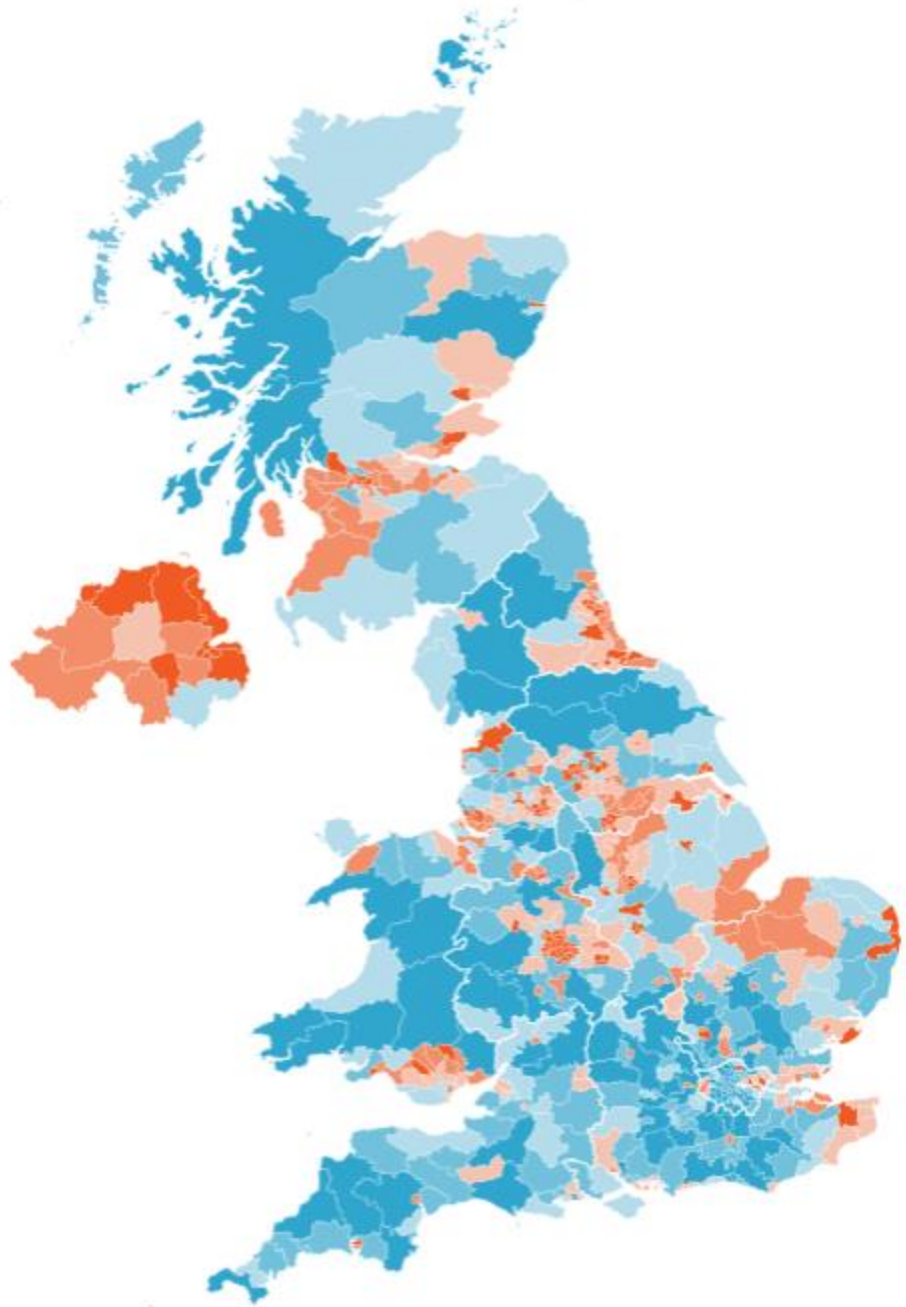
down 0.1 ppts from 8.6% in **2023** Q2

up 1.7 ppts from 6.8% in **2020** Q1

Data shows the overall Financial Vulnerability Score (FVI) for the UK. Data is given for all points between 2017 Q2 and 2023 Q2.

FVI 2023 Q4
Without sufficient emergency savings

59.2%

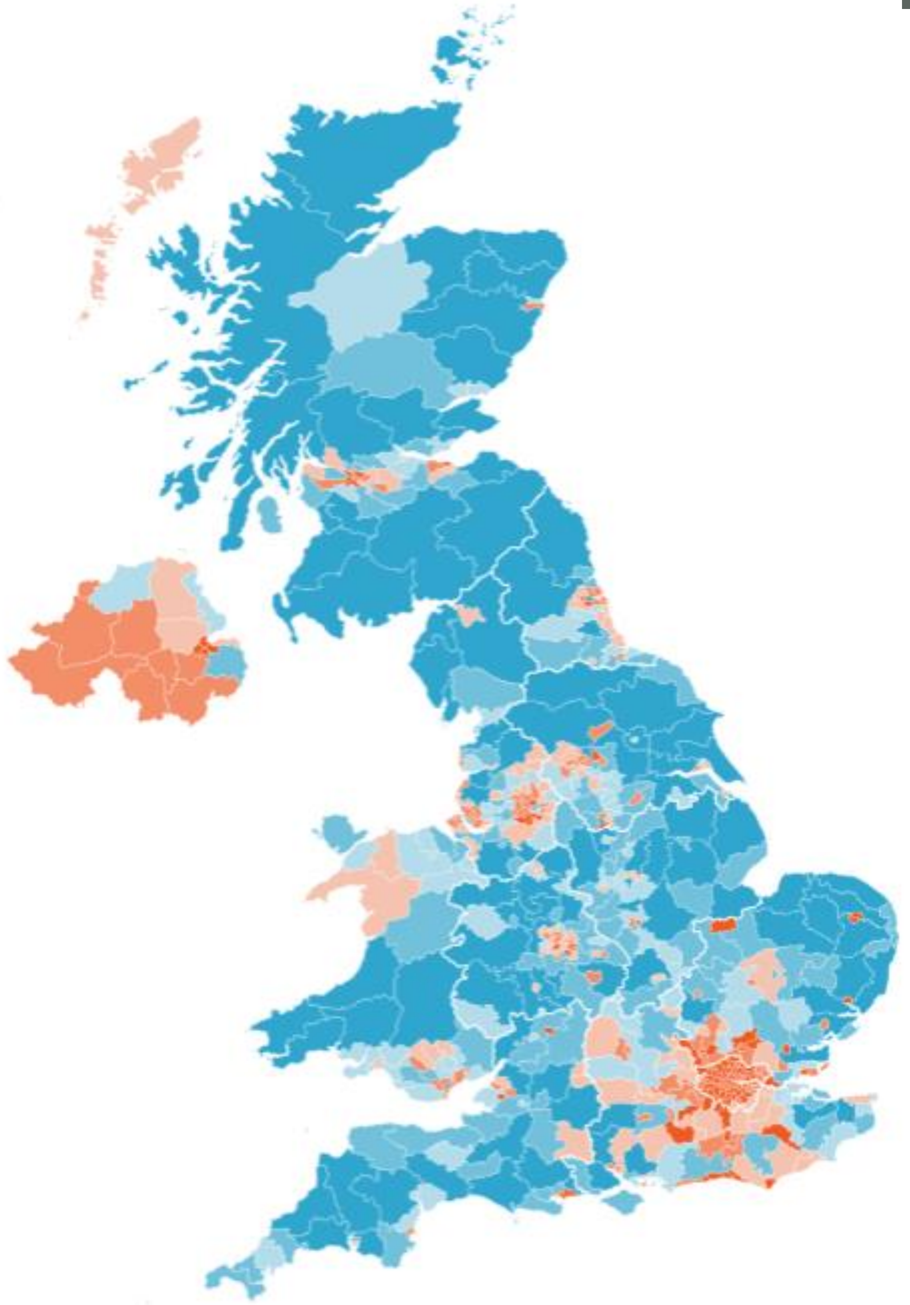


Legend
Higher %
Lower %

FVI 2023 Q4

Use of alternative finance products

10.2%



Legend
- Higher %
- Lower %

Important takeaways.

Topline story from FVI #7

Savings crunch contributing to people feeling worse off

The FVI Survey reveals 59.2% of UK adults lack sufficient emergency savings, up from 55.7% nearer the beginning of the pandemic. The reduction in savings, coupled with the economic climate, has led to a perceived deterioration in financial situations in 2023. Nearly half (46%) feel worse off, with only 22% experiencing improvement. Looking ahead, 33% expect further even decline while 35% expect no change.

Housing type and cost behind rising financial vulnerability

Financial vulnerability surged in areas with many private renters, apparently driven by soaring housing costs, particularly in London and parts of southern England. Constituencies with above-average house prices saw increased financial vulnerability, especially in London, echoing this trend. In contrast, many urban areas in northern England are cushioned by large numbers of social housing units, mitigating some of the increase in financial vulnerability.

Poor access to good work a driver of financial vulnerability

In constituencies with above-average low employment, financial vulnerability rose significantly in 2023. When over 1 in 10 individuals were economically active but unemployed or worked under 15 hours weekly, the FVI score increased. This indicates heightened vulnerability for those with low income from work, especially in outer London, smaller cities, and towns in the south and east of England.

Key insight: The FVI Survey shows savings levels are down as people feel worse off than before

Results from the FVI Survey of nationally representative sample of 8,000 UK adults.

Six in ten have low levels of savings

The FVI Survey shows that now 59.2% of UK adults do not have sufficient levels of emergency savings, a significant increase from the last FCA Financial Lives Survey conducted in 2020 when the proportion without emergency savings was 55.7%.

Public feel worse off and are pessimistic on future

The FVI Survey also shows that this reduction in savings, coupled with the general economic environment, has led to many finding that their financial situation had deteriorated over 2023. Most expect this to remain the same or get even worse in 2024.

Almost half (46%) of UK adults think that their financial situation got worse in 2023, while only 22% found their financial situation improved. They do not expect this to improve anytime soon, with 33% expecting their financial situation to continue to get even worse, while 30% expect it to improve. Just over a third (35%) expect no change in their financial situation.

Results from the FVI Survey

Data is from the FVI Survey.
Sample: 8,000 UK adults. Fieldwork: November 2023.

Key insight: Housing plays a key role in financial vulnerability

Vulnerable private rentals:
Constituencies with above average increase in FVI score and high numbers privately renting.

Secure outright homeowners:
Constituencies with below average increase in FVI score and high numbers of outright homeowners.

Housing appears to highly correlate with changes in the FVI Score over the second half of 2023, with private renters in particular appearing to become more financial vulnerable.

Squeezed private renters

There are 160 constituencies in the UK that have above-average levels of people privately renting and also saw an above-average increase in financial vulnerability according to their FVI Score.

The fundamentals of the current economic situation suggest that housing costs are playing a significant role in increasing financial vulnerability, with rising rents from private landlords being a key potential factor.

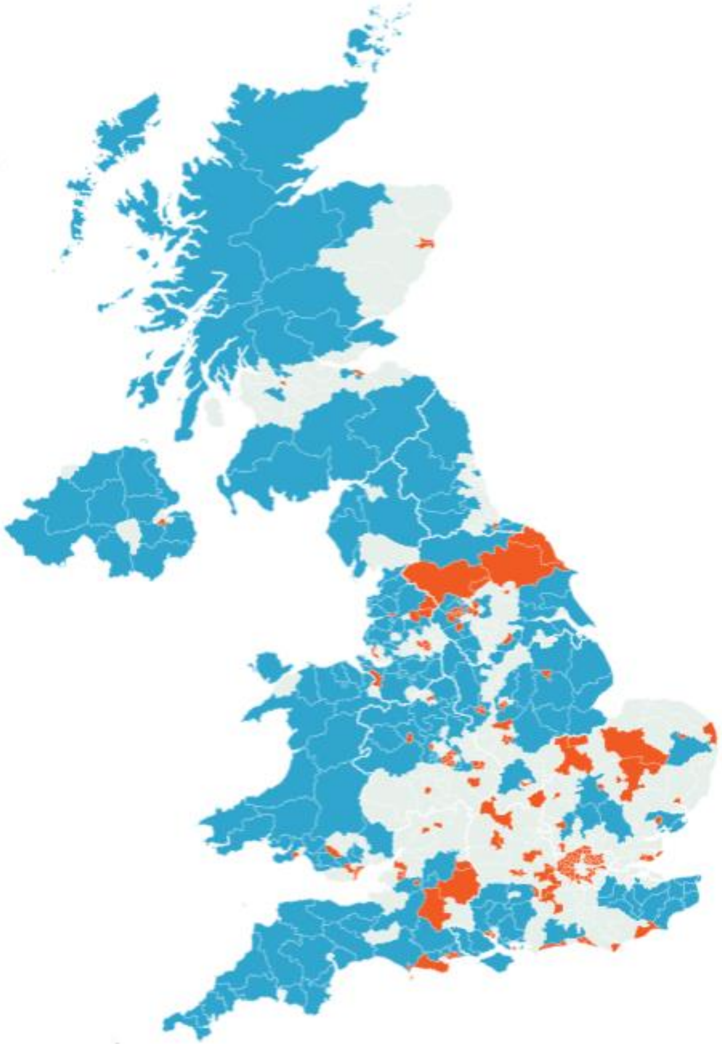
This impact is most pronounced in London and some parts of southern England where non-homeowners are predominantly in privately rented accommodation rather than social housing. In contrast, large parts of urban areas in northern England are more cushioned by large numbers of social housing units.

Protected outright homeowners

On the other hand, there are 207 constituencies in the UK that have above-average levels of outright homeowners but also have a below-average increase in financial vulnerability or a decrease in levels of financial vulnerability according to their FVI score.

Without any immediate housing costs in terms of rent or mortgage, outright homeowners have appeared to be among the most cushioned by the changes in interest rates over 2023.

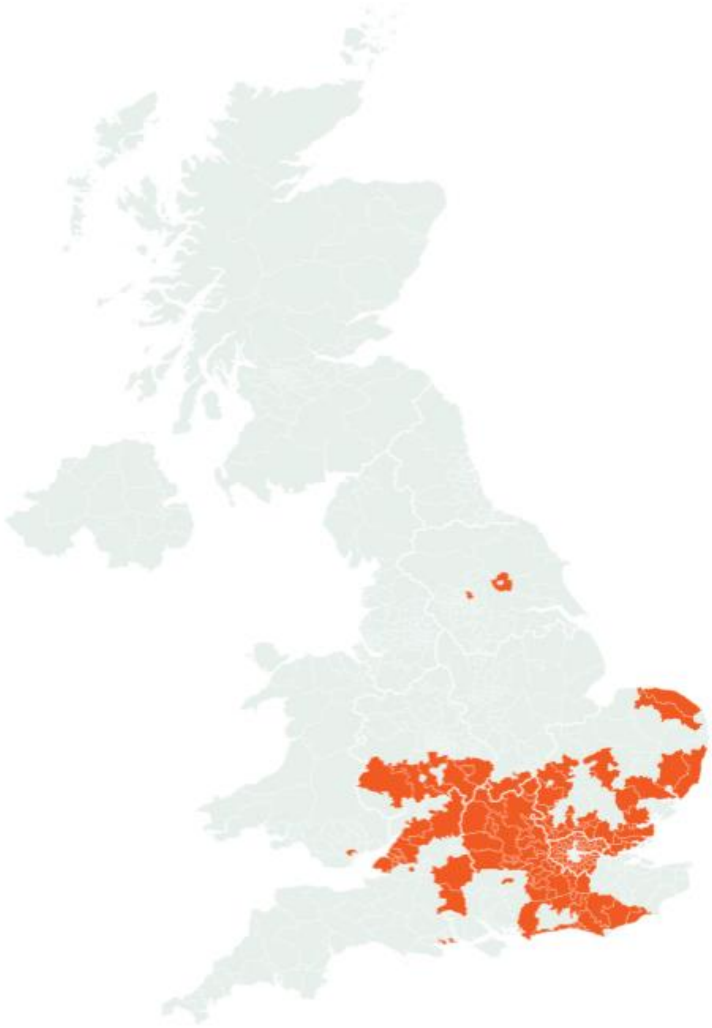
This has generally benefited rural areas that have large numbers of outright homeowners. Good regional examples include the West Country but are highly apparent across most of the country.



Data shows the overall Financial Vulnerability Score (FVI) for the UK. Change is between 2023 Q2 and 2023 Q4.
Private rental data comes from NOMIS Census data.

Key insight: Housing plays a key role in financial vulnerability

Vulnerable due to high house prices:
Constituencies with above average increase in FVI score and above average house prices.



Housing appears to highly correlate with changes in the FVI Score over the second half of 2023, with private renters in particular appearing to become more financially vulnerable.

The pain cased by high housing costs

Financial vulnerability seems to correlate with high housing costs, which can be seen when we use house prices as a proxy.

There are 168 constituencies in the UK that have above-average levels of house prices and also saw an above-average increase in financial vulnerability according to their FVI Score.

This impact is most significant in London and some parts of southern England where non-homeowners are predominantly in privately rented accommodation rather than social housing. In contrast, large parts of urban areas in northern England are more cushioned by large numbers of social housing units.

Interest rates have also had a major impact on those with mortgages on more expensive properties, which also makes up a large proportion of those in southern England.

Data shows the overall Financial Vulnerability Score (FVI) for the UK. Change is between 2023 Q2 and 2023 Q4.
Private rental data comes from NOMIS Census data.

Key insight: Lack of work compared to those secure in retirement

Vulnerable lacking work:
Constituencies with above average increase in FVI score and high numbers unemployed & part-time workers.

Secure affluent retired:
Constituencies with below average increase in FVI score and high numbers retired with high pension incomes.

Working status and economic activity appears to be a key factor in the changing landscape of financial vulnerability over the second half of 2023.

Lack of work driving vulnerability

There are 152 constituencies in the UK that have above-average levels of people with low or little work and also saw an above-average increase in financial vulnerability according to their FVI Score.

Where more than 1 in 10 of the constituency was economically active but either unemployed or working under 15 hours a week, we found that there was an increase in the FVI score over the second half of 2023.

This suggests that those with relatively low levels of income from work were becoming increasingly vulnerable during the cost-of-living crisis. This is particularly prevalent in outer London, several smaller cities across the UK, and smaller towns in the south and east of England.

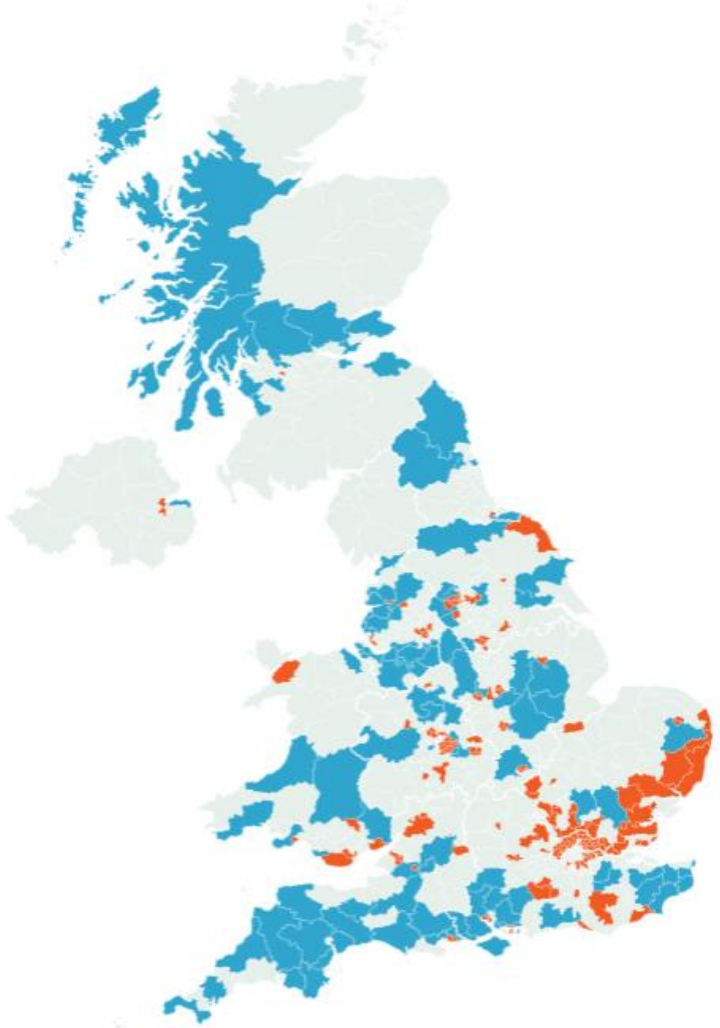
Affluent retired Britons cushioned

On the other hand, there are 115 constituencies in the UK that have above-average levels of affluent retired adults but also have a relative decrease in levels of financial vulnerability according to their FVI score.

Where constituencies have over a fifth of their population retired and the average pension income is over £19,000, we found a relative improvement in financial security.

This speaks to both the cushioning that comes from not relying on increased working hours or pay, but also having guaranteed good incomes with relatively low levels of outgoings.

This is particularly prevalent in comfortable rural areas across the UK. This is not uniform throughout the country, however, with some rural areas – for example, the east of England – having lower pension incomes.



Data shows the overall Financial Vulnerability Score (FVI) for the UK. Change is between 2023 Q2 and 2023 Q4.
Private rental data comes from NOMIS Census data and HMRC Income and tax by Parliamentary constituency.

How we have improved the index.

Opinium

Methodology update

From FVI 7 onwards, we have revised the methodology of the Financial Vulnerability Index, adapting to the changing nature of financial vulnerability in the UK.

These changes include incorporating additional datasets of Lowell customers within the index, tracking the proportion of customers in late arrears as the market moves away from short-term high-cost products, and incorporating consumer data from a more regularly conducted large-sample survey by Opinium.

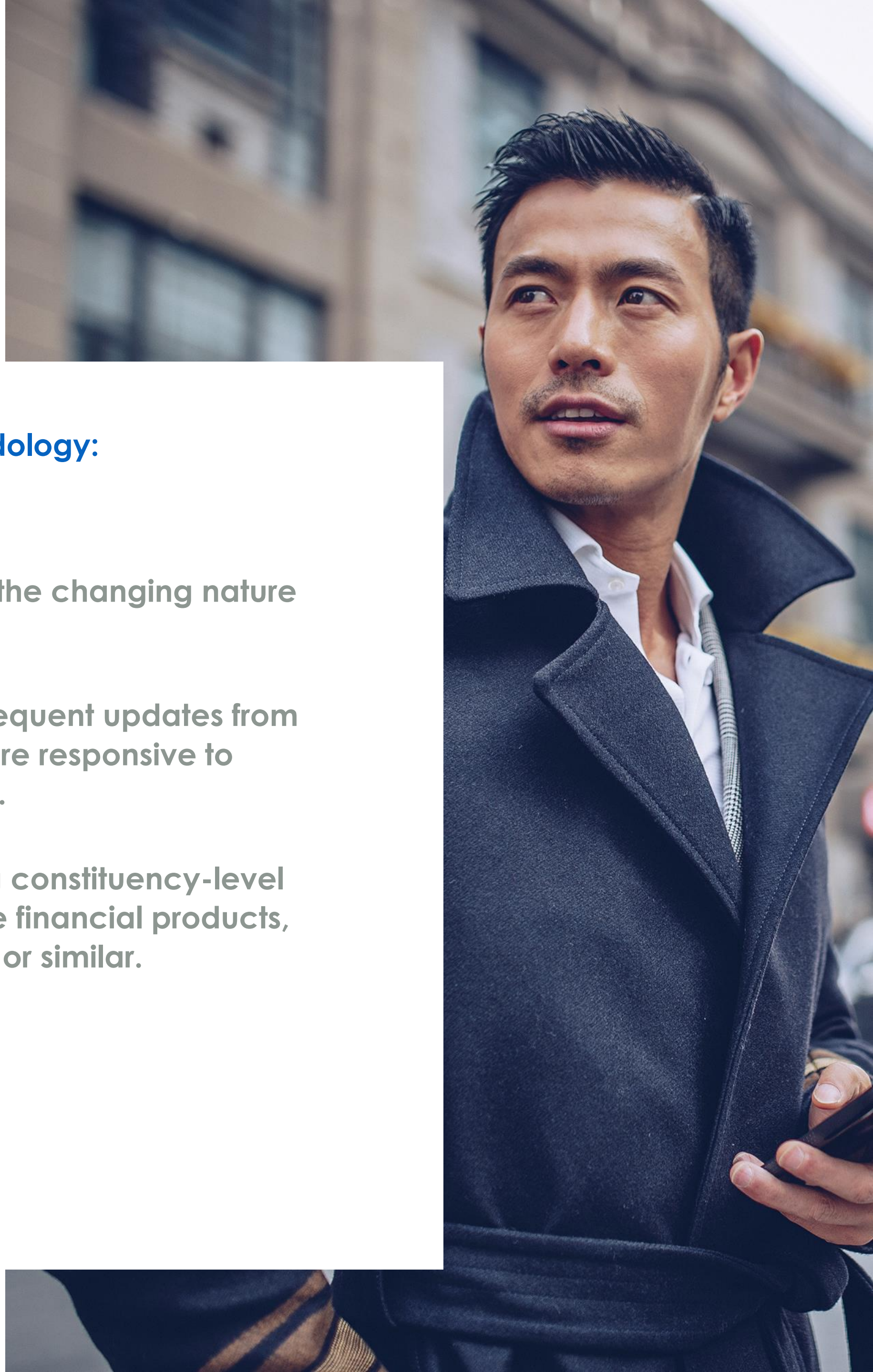
These method changes were tested and implemented between October 2023 and February 2024, ensuring a smooth transition from FVI 6 to FVI 7. Previous FVI scores have been recalibrated between 2020 and 2023 to ensure that past FVI scores are comparable at a national, regional, and constituency level.

How the revisions enhance the FVI methodology:

1. Ensures that the FVI remains relevant to the changing nature of financial vulnerability in the UK.

2. Builds on the granular data with more frequent updates from consumer survey data, making it even more responsive to changes in household financial behaviour.

3. Improves data coverage by introducing constituency-level estimates for savings levels and alternative financial products, which were previously at the county-level or similar.



FVI by geography

Unpicking the geographic trends in financial vulnerability

07 Op Opinium

Regional and constituency analysis

Identifying the hotspots of financial vulnerability

North East remains the most financially vulnerable region

Most regions saw an increase in their FVI score over the second half of 2023.

Rank	Region	FVI Score (Q4 2023)	Change	FVI Score (Q2 2023)
1	**North East**	**50.7**	**+0.7**	50.0
2	**West Midlands**	**49.3**	**0.0**	49.3
3	**North West**	**47.6**	**+1.5**	46.1
4	**Wales**	**47.5**	**+0.4**	47.1
5	**Yorkshire and The Humber**	**47.3**	**-0.5**	47.8
6	**East Midlands**	**46.7**	**-0.2**	46.9
7	**London**	**44.2**	**+1.7**	42.5
8	**Northern Ireland**	**43.6**	**+0.8**	42.8
9	**East of England**	**42.9**	**+0.5**	42.4
10	**Scotland**	**42.0**	**+0.6**	41.4
11	**South East**	**38.8**	**+0.9**	37.9
12	**South West**	**37.4**	**+0.6**	36.8

Exploring the latest FVI by constituency

An area demonstrating some of the highest levels of financial vulnerability is the West Midlands metropolitan area, with seven of the ten constituencies with the highest FVI score being in Birmingham or Wolverhampton

#	Most vulnerable	Score
1	Birmingham, Hodge Hill	70.2
2	Birmingham, Ladywood	67.8
3	Birmingham, Erdington	66.7
4	Middlesbrough	66.0
5	Birmingham, Perry Barr	65.2
6	Liverpool, Walton	64.4
7	Wolverhampton South East	64.3
8	Nottingham North	64.3
9	Wolverhampton North East	63.5
10	Birmingham, Yardley	62.8

#	Least vulnerable	Score
1	West Aberdeenshire and Kincardine	29.9
2	Central Devon	30.2
3	Ross, Skye and Lochaber	30.5
4	Orkney and Shetland	30.6
5	Sheffield, Hallam	31.4
6	North Dorset	31.7
7	West Dorset	31.9
8	Arundel and South Downs	32.0
9	Somerton and Frome	32.0
10	Torridge and West Devon	32.1

Regional Focus

A deep dive into each region

The FVI across the 12 regions of the UK

Click any of the 12 government regions below to navigate through the regional reporting of the Financial Vulnerability Index.

South East	South West	Eastern England	London
East Midlands	West Midlands	Yorkshire and the Humber	North East
North West	Wales	Scotland	Northern Ireland

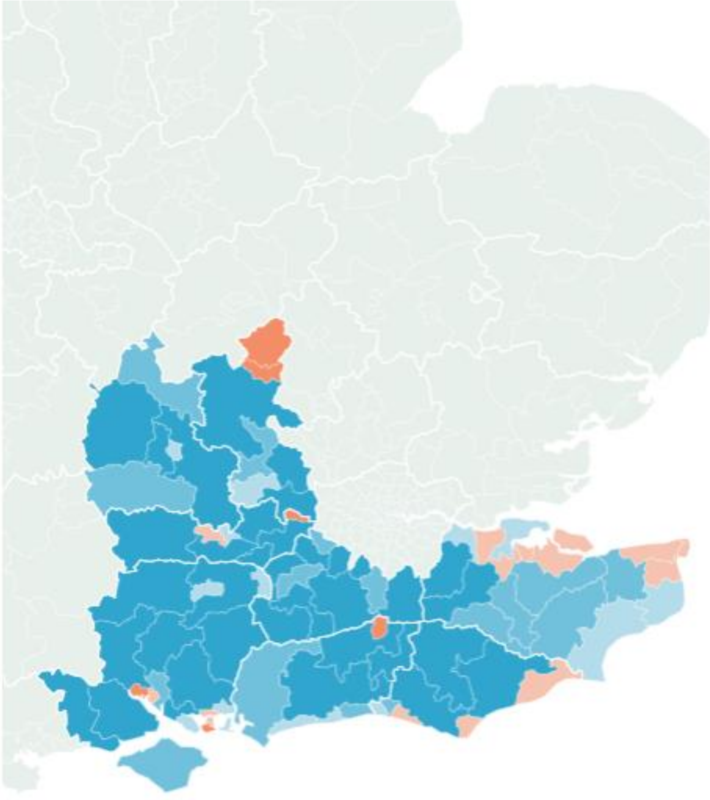
[Back to region list]

South East: maintains its position as the least financially vulnerable region in the UK

The South East remains one of the least financially vulnerable regions in the UK with an FVI score of 38.8.

However, it has relatively average levels of credit use and higher than average usage of alternative financial products.

Metric	2023 Q4	Ranking
In default	11.9%	11th highest out of 12
Credit usage	53.3%	6th highest out of 12
In arrears	12.9%	10th highest out of 12
Benefits usage	6.6%	11th highest out of 12
Without sufficient emergency savings	55.9%	11th highest out of 12
Alt. fin. products	10.6%	3rd highest out of 12
FVI Score	38.8	11th highest out of 12



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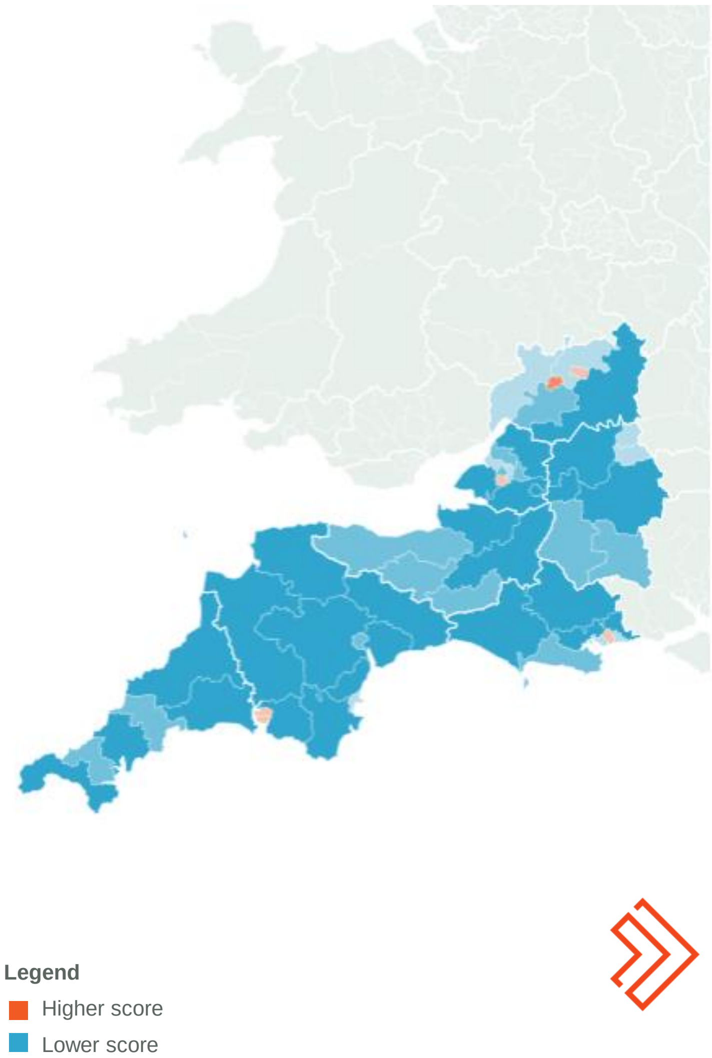
South West: challenging the South East for the lowest levels of financial vulnerability

The South West continues to be one of the least financially vulnerable regions in the UK with an FVI score of 37.4.

It has the lowest number of Lowell customers in default and the lowest proportion of adults using benefits.

Metric	2023 Q4	Ranking
In default	11.3%	12th highest out of 12
Credit usage	52.9%	10th highest out of 12
In arrears	13.6%	9th highest out of 12
Benefits usage	5.6%	12th highest out of 12
Without sufficient emergency savings	56.4%	10th highest out of 12
Alt. fin. products	8.6%	11th highest out of 12
FVI Score	37.4	12th highest out of 12



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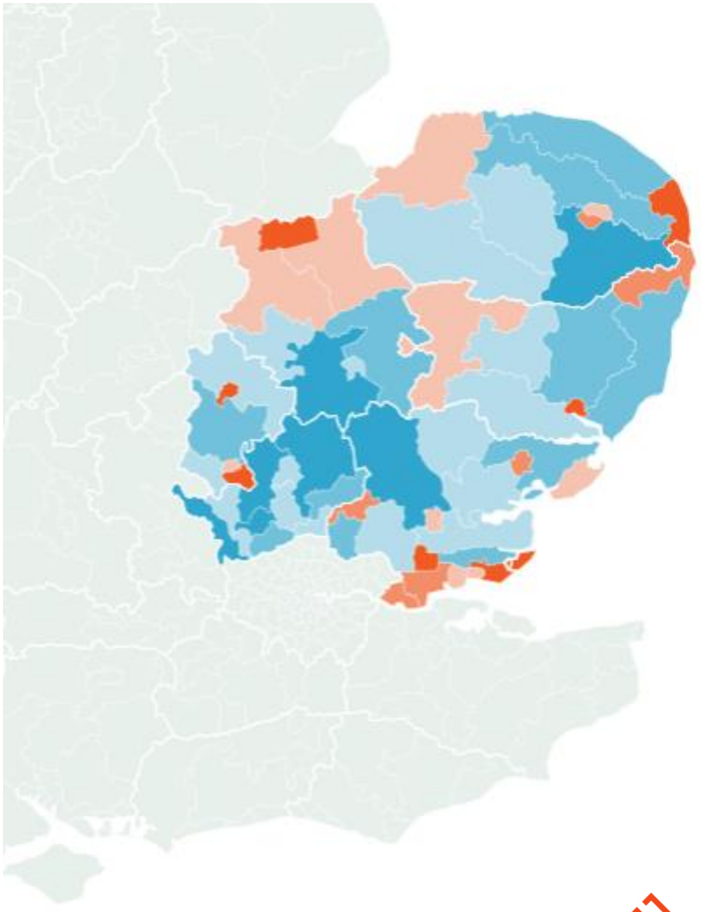
Eastern England: as with the rest of southern England, it remains less financially vulnerable than the rest of the UK

Eastern England continues to be one of the least financially vulnerable parts of the UK, with an FVI score of 42.9.

While it has below-average levels of Lowell customers in default and benefits usage, it has broadly average levels of credit usage and usage of alternative financial products.

Metric	2023 Q4	Ranking
In default	13.0%	10th highest out of 12
Credit usage	53.5%	5th highest out of 12
In arrears	18.0%	7th highest out of 12
Benefits usage	6.9%	10th highest out of 12
Without sufficient emergency savings	58.5%	9th highest out of 12
Alt. fin. products	9.7%	5th highest out of 12
FVI Score	42.9	9th highest out of 12



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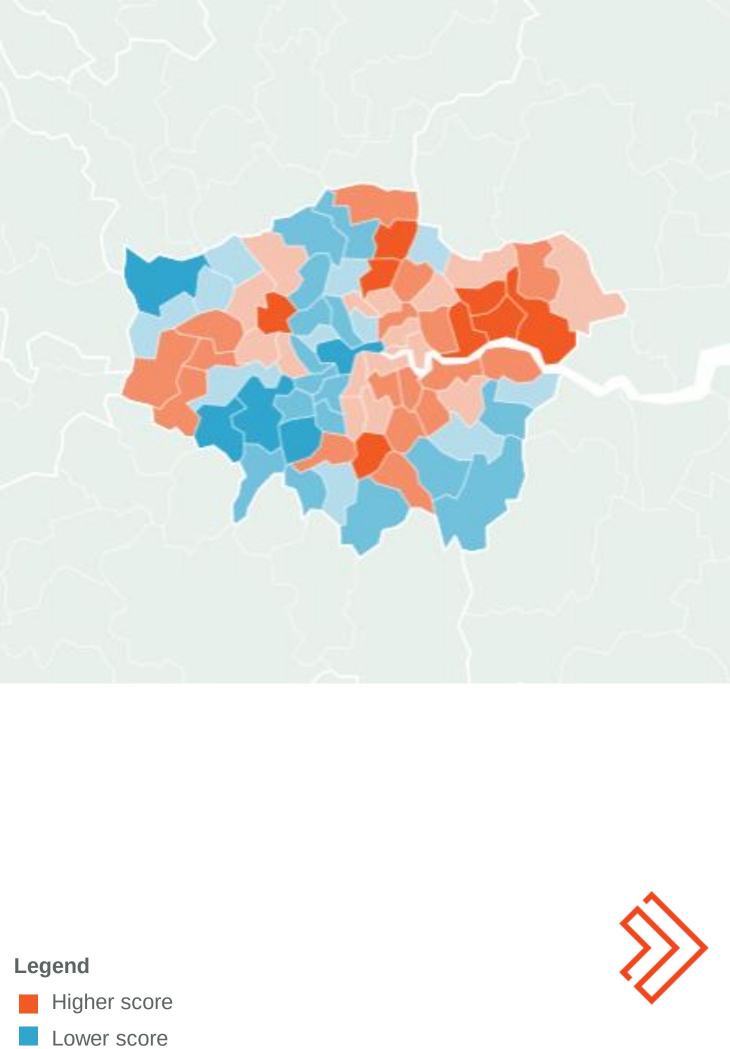
London: a divided capital that performs at the extreme ends of the Financial Vulnerability Index

London continues to align broadly with the UK average, with an FVI score of 44.2. London tends to be at the extreme end of the FVI.

On one hand, it has the highest levels of usage of benefits and alternative financial products, but the lowest proportions of arrears and credit usage.

Metric	2023 Q4	Ranking
In default	19.6%	1st highest out of 12
Credit usage	49.5%	12th highest out of 12
In arrears	11.0%	12th highest out of 12
Benefits usage	12.5%	1st highest out of 12
Without sufficient emergency savings	51.7%	12th highest out of 12
Alt. fin. products	15.4%	1st highest out of 12
FVI Score	44.2	7th highest out of 12



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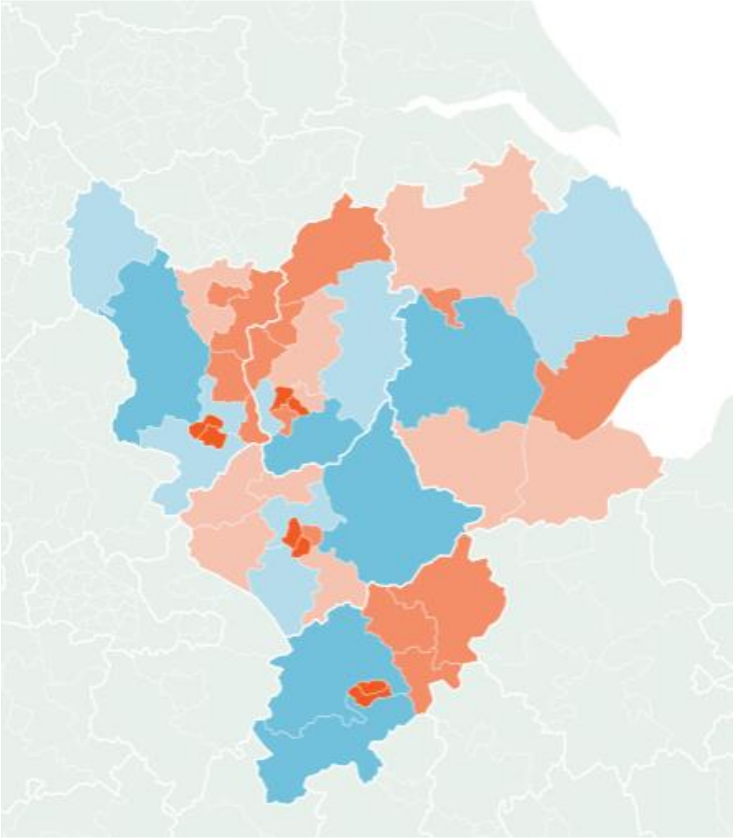
East Midlands: part of the average squeezed middle in the UK

The East Midlands has an FVI score of 46.7, slightly above the national average.

While the region has a has a high proportion of adults in arrears and high credit usage, it has the lowest levels of alternative financial product usage in the UK.

Metric	2023 Q4	Ranking
In default	14.6%	8th highest out of 12
Credit usage	53.8%	4th highest out of 12
In arrears	22.4%	3rd highest out of 12
Benefits usage	7.6%	6th highest out of 12
Without sufficient emergency savings	62.2%	5th highest out of 12
Alt. fin. products	7.7%	12th highest out of 12
FVI Score	46.7	6th highest out of 12



Legend
Higher score
Lower score

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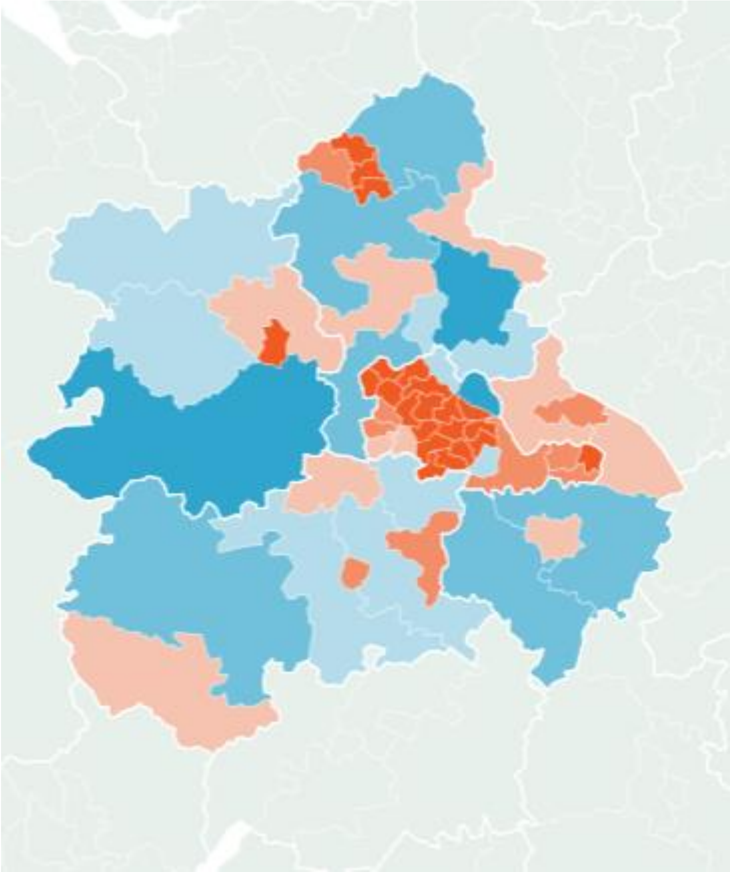
West Midlands: continues the trend of becoming much more financially vulnerable than the rest of the UK

The West Midlands has an FVI score of 49.3, now one of the top two financially vulnerable regions in the UK.

The region has a high level of benefits usage and a high proportion of adults without minimum levels of emergency savings.

Metric	2023 Q4	Ranking
In default	16.3%	4th highest out of 12
Credit usage	53.1%	8th highest out of 12
In arrears	20.7%	4th highest out of 12
Benefits usage	11.1%	2nd highest out of 12
Without sufficient emergency savings	64.2%	2nd highest out of 12
Alt. fin. products	9.0%	7th highest out of 12
FVI Score	49.3	2nd highest out of 12



Legend
Higher score
Lower score

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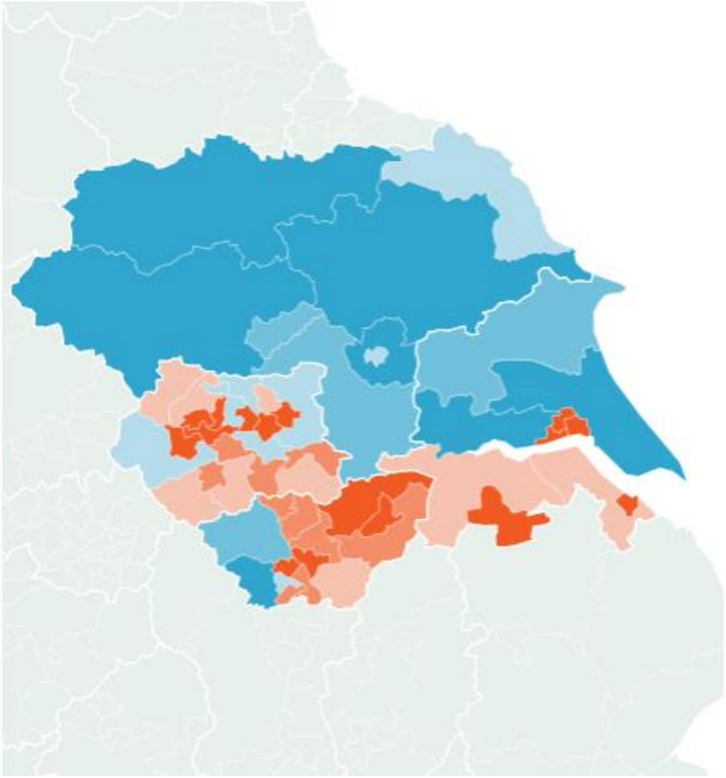
Yorkshire and the Humber: remains more financially vulnerable than the UK average

With an FVI score of 47.3, Yorkshire and the Humber continues to be more financially vulnerable than the UK average.

The region has higher than average levels of benefits usage and adults without minimum levels of emergency savings.

Metric	2023 Q4	Ranking
In default	16.2%	5th highest out of 12
Credit usage	52.9%	11th highest out of 12
In arrears	20.0%	5th highest out of 12
Benefits usage	9.2%	4th highest out of 12
Without sufficient emergency savings	63.0%	4th highest out of 12
Alt. fin. products	8.9%	9th highest out of 12
FVI Score	47.3	5th highest out of 12



Legend
Higher score
Lower score

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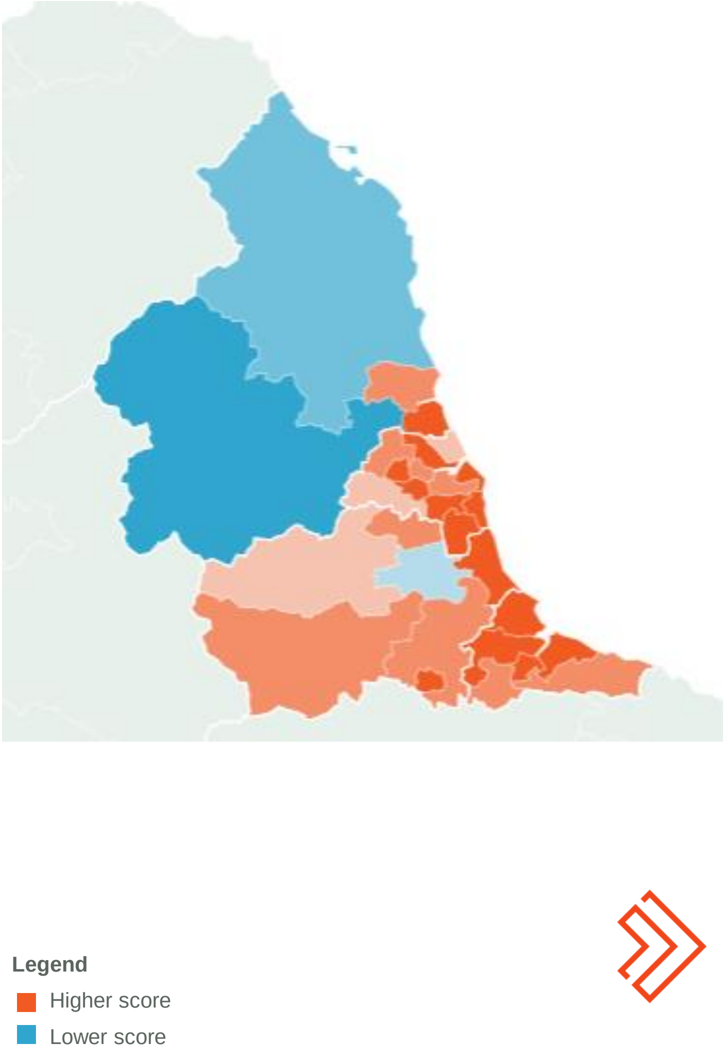
North East: region remains the most financially vulnerable in the UK

The North East remains the most vulnerable region in the UK, with an FVI score of 50.7.

It continues to have one of the highest numbers of Lowell customers in default, credit usage, and the number of customers in arrears.

Metric	2023 Q4	Ranking
In default	19.0%	2nd highest out of 12
Credit usage	54.4%	2nd highest out of 12
In arrears	23.1%	2nd highest out of 12
Benefits usage	8.8%	5th highest out of 12
Without sufficient emergency savings	63.8%	3rd highest out of 12
Alt. fin. products	9.2%	6th highest out of 12
FVI Score	50.7	1st highest out of 12



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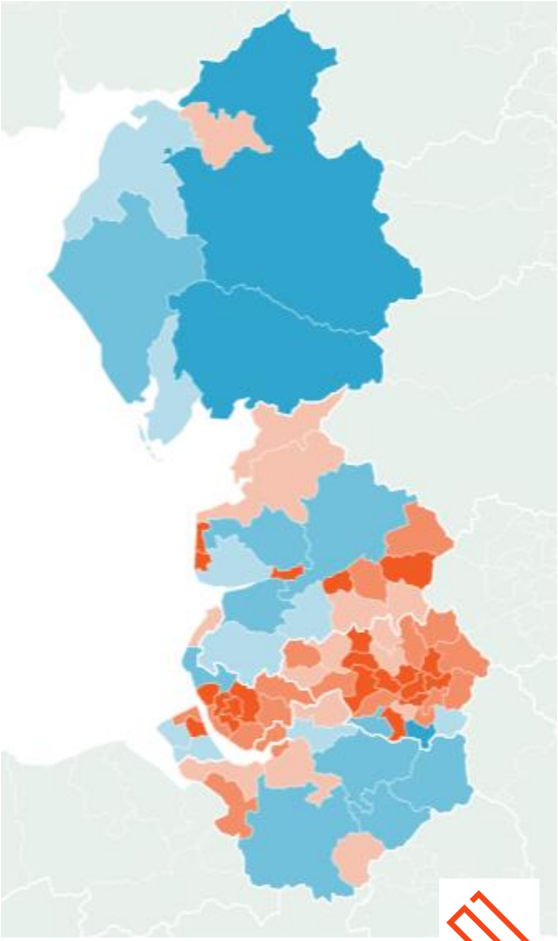
North West: region remains significantly more financially vulnerable than the UK as a whole

The North West is the third most vulnerable region in the UK, with an FVI score of 47.6.

The region has one of the highest numbers of Lowell customers in default, credit usage, and benefits usage. However, it has more average levels of customers in arrears or without emergency savings.

Metric	2023 Q4	Ranking
In default	17.7%	3rd highest out of 12
Credit usage	53.9%	3rd highest out of 12
In arrears	18.8%	6th highest out of 12
Benefits usage	9.6%	3rd highest out of 12
Without sufficient emergency savings	61.2%	6th highest out of 12
Alt. fin. products	9.9%	4th highest out of 12
FVI Score	47.6	3rd highest out of 12



Legend

Higher score

Lower score

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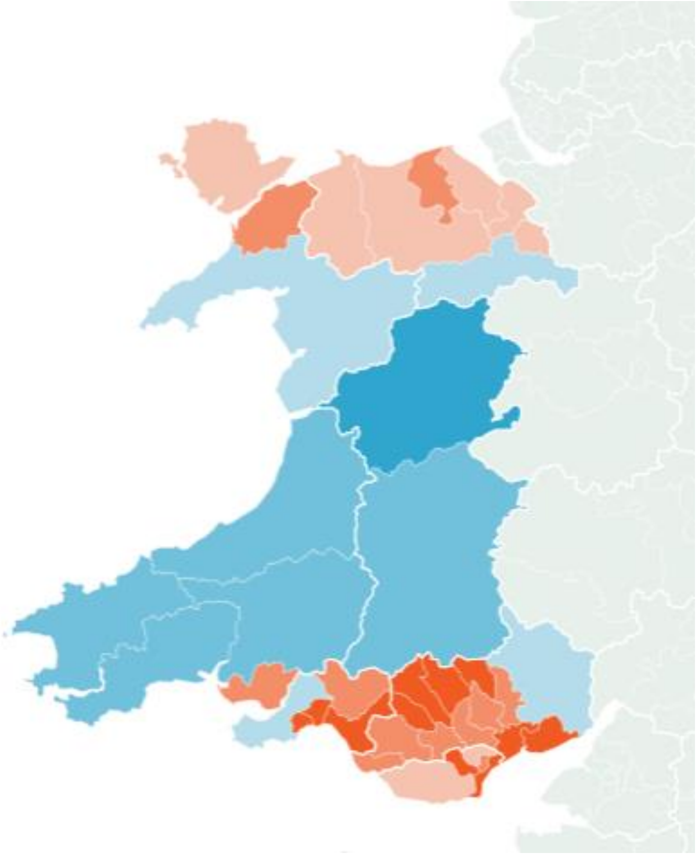
Wales: region remains more financially vulnerable than the national average

Wales continues to be more financially vulnerable than the UK average, with an FVI score of 47.5.

The region has the highest proportion of Lowell customers in arrears. However, it also has low levels of take-up of alternative financial products.

Metric	2023 Q4	Ranking
In default	15.7%	7th highest out of 12
Credit usage	53.0%	9th highest out of 12
In arrears	24.0%	1st highest out of 12
Benefits usage	7.0%	8th highest out of 12
Without sufficient emergency savings	59.4%	8th highest out of 12
Alt. fin. products	8.9%	10th highest out of 12
FVI Score	47.5	4th highest out of 12



Legend
Higher score
Lower score

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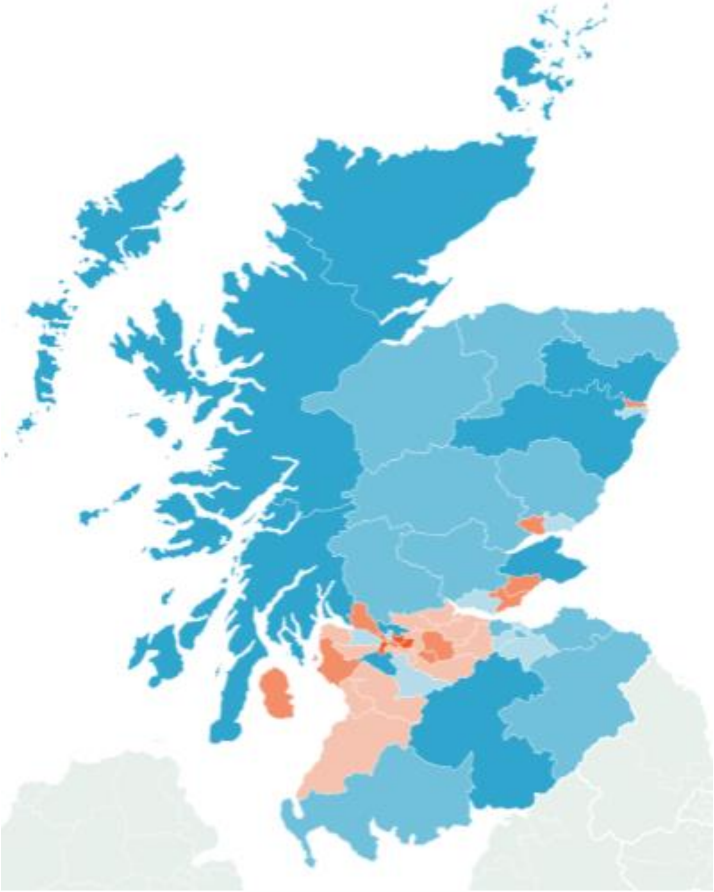
Scotland: remains less financially vulnerable overall than the rest of the United Kigndom

Scotland continues to be slightly less financially vulnerable than the UK as a whole, with an FVI score of 42.0.

While it has the highest levels of credit usage in the UK, it has below-average levels of benefits usage, the proportion of customers in arrears, and usage of alternative financial products.

Metric	2023 Q4	Ranking
In default	13.3%	9th highest out of 12
Credit usage	55.0%	1st highest out of 12
In arrears	15.5%	8th highest out of 12
Benefits usage	6.9%	9th highest out of 12
Without sufficient emergency savings	61.1%	7th highest out of 12
Alt. fin. products	8.9%	8th highest out of 12
FVI Score	42.0	10th highest out of 12



Legend
Higher score
Lower score

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Northern Ireland: an average region with peaks of financial vulnerability in Belfast and Foyle

Northern Ireland continues to have similar levels of financial vulnerability to the national average, with an FVI score of 43.6.

While Northern Ireland has a high level of both lacking emergency savings and usage of alternative financial products, it has one of the lowest proportions of Lowell customers in arrears.

Metric	2023 Q4	Ranking
In default	16.2%	6th highest out of 12
Credit usage	53.2%	7th highest out of 12
In arrears	12.2%	11th highest out of 12
Benefits usage	7.3%	7th highest out of 12
Without sufficient emergency savings	67.6%	1st highest out of 12
Alt. fin. products	11.9%	2nd highest out of 12
FVI Score	43.6	8th highest out of 12

Legend
Higher score
Lower score

Thank you

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07 Op Opinium

What people think, feel and do